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Friday October 29, 1976

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National Intelligence Daily Cable for Friday October 29, 1976.

The NID Cable is for the purpose of informing senior US officials.

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CHINA-USSR: Relations

25X1 [] Peking's swift rejection of Moscow's latest message to China points up for the second time in less than two months the determination of the current Chinese leadership to reaffirm that there will be no quick departures from its firm anti-Soviet stance.

25X1 [] A government spokesman told foreign newsmen yesterday that the congratulatory message from Soviet party chief Brezhnev to Hua Kuo-feng, who was officially named chairman of the Chinese party this week, was rejected because there were "no relations" between the two parties. Congratulatory notes from Moscow's East European allies--with the exception of Romania's note--were rejected for the same reason, according to the spokesman.

25X1 [] Peking last month rejected a sympathy note from the Soviet party Central Committee after Chairman Mao's death. That message had marked the first Soviet attempt at public party-to-party communication since 1966. Its rejection was the first concrete sign that Mao's death would not cause any immediate change in Peking's antagonistic view of the Soviet Union.

25X1 [] Although Moscow has virtually eliminated anti-Chinese commentary from its propaganda since Mao's death, the Chinese have continued their harsh criticism of Soviet activities and intentions. The purge of leading leftists in China earlier this month has not changed this. A lengthy press commentary last week, for instance, catalogued Peking's charges of Soviet "unbridled aggression and expansion" abroad and described the domestic situation in the Soviet Union as a "smoldering volcano."

25X1 [] // [] Chinese officials have described the Soviet messages and propaganda as aimed primarily at other countries and not genuine signals to Peking. A Peking-controlled newspaper in Hong Kong this week referred to Moscow's "silly and fantastic notions" regarding China, and predicted that Soviet attempts to "gain advantage" with Peking would fail.// 25X1

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[] In sum, the Chinese reaction to recent Soviet overtures strongly suggests that--at least for the moment--there is little sympathy in Peking for a relaxation of tensions with the Soviets. //Even those individuals who in the past have reportedly been in favor of improved ties with Moscow probably are persuaded that it would be of little advantage to push their case at least until after the US elections when they may be able to make a better judgment about where the connection with Washington is headed. They undoubtedly believe that any signal now of a Chinese interest in improved relations with the Soviets could create problems in Sino-US relations.//

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[] In all likelihood Moscow sent the latest message knowing it would be rebuffed. The Soviets appear anxious to establish a public record of good will in the face of Chinese intransigence. They may also want to disabuse any elements in the Soviet leadership who still cling to the belief that there are pro-Soviet forces in China.

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[] There is also the possibility, however, that the Soviets believed that China's recent purge of its leftists--in Soviet eyes the most implacably anti-Soviet element within China--considerably reduced the chances of China's rejection of the message. Soviet expectations of a fairly prolonged power struggle between the leftists and the moderates have already been proven wrong by events in China since Mao's death, and the Soviets may have calculated that they were overly pessimistic in ruling out the possibility of any immediate change in Chinese foreign policy. []

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LEBANON: Situation Report

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[] Lebanese Christians and Muslims are balking at provisions of the Riyadh accord with which they do not agree.

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[] According to Beirut press reports, Christian leaders have now decided to permit the introduction of Arab League peace-keeping forces into areas they control, but only at a few trouble spots. The Christians plan to offer Lebanese President Sarkis a group of 30,000 Christians--matching the strength of the Arab League force--who would police Christian zones while League troops enforce security in other areas. One Christian spokesman noted that East Beirut would be out of bounds to League forces.

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[] Sarkis is unlikely to accept the Christian offer, which would make a mockery of the withdrawal provisions agreed on at Riyadh, but at some point he--and the Syrians--will be obliged to deal with Christian foot-dragging.

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[] Lebanese leftist leader Kamal Jumblatt has meanwhile hit out at the provision of the Riyadh accord that would place the Arab League peace-keeping forces under Sarkis alone, rather than Sarkis and the prime minister. Calling the decision a "blow to the Lebanese democratic system," Jumblatt declared categorically that "we only accept the orders given to Arab forces by the Lebanese prime minister, whoever he is."

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[] Palestine Liberation Organization leader Yasir Arafat is presumably in no position to induce Jumblatt to adopt a more cooperative attitude, but the Syrians seem to be taking some steps to put pressure on the recalcitrant Christians. They have been particularly incensed by the open cooperation between the Christians and Israelis in the south, and have already made representations to the Christians to put an end to it.

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[] The Syrians may now be allowing some Palestinians to move through their lines into the south; the press has reported that Palestinian units--some of them from the Mount Lebanon area where they were facing Syrian units--have been moving south.

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[] Damascus may be trying to pose as a partner of the Palestinians against the main enemy--Israel--in order to counter charges that Syria is cooperating with Israel against the Palestinians. Allowing Palestinians into the south--but keeping them well away from the border area itself--could also be a face-saving gesture to Arafat, one that may have been worked out either at Riyadh or at the Cairo summit to induce Arafat to go along with an agreement that was essentially a defeat.

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[] The Syrians, moreover, would presumably welcome any fedayeen withdrawals from the Mount Lebanon area. They have talked of moving forcibly on Alayh in their role as members of the Arab League peace-keeping forces if it becomes clear that the Palestinians have no intention of pulling out voluntarily.

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[] The Syrians probably assume that the Christians are strong enough in the south to cope with additional Palestinian units without risking Israeli retaliation. In any case, south Lebanon is virtually the only area of the country where the fedayeen can go if they are pulling out of Mount Lebanon, the Beirut suburbs, or any of the other areas specified in the Riyadh agreement.

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[] //Regardless of the extent of Palestinian movement south, the Syrians still seem determined to keep the border area quiet. Syrian Foreign Minister Khaddam told Ambassador Murphy yesterday that Syria had contacted all parties involved and was exerting a major effort not to allow trouble to develop on the border.//

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[] The Israeli press is charging that Palestinian units--and some Iraqi army regulars--are moving south from Sidon and Tyre to reinforce Bint Jubayl. Such movements would not be related to any Palestinian moves facilitated by the Syrians, who are not in a position to interdict travel south from Sidon and Tyre and have no control over Iraqi forces in Lebanon.

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[] Palestinians and Muslims holed up in Bint Jubayl were shelled by Christians and Israelis yesterday, and artillery duels took place in the area of Marj Uyun and Khiyam. Kafr Killa is still circled by Christian forces, but there have been no ground movements of significance in the area.

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[] There were small-scale clashes and sporadic shelling in Beirut and its suburbs yesterday. Snipers are active, although the city is still relatively calm and the daily death toll has dropped sharply. []

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RHODESIA: Military Situation

25X1 [REDACTED] //The black nationalists and white Rhodesians both are saying the guerrilla war will soon increase in intensity.//

25X1 [REDACTED] //Some black leaders have been saying for some time that the guerrillas will step up their attacks during the Geneva conference in order to maintain pressure on Prime Minister Smith.

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25X1 [REDACTED] //We have not seen any indication that such an attack has begun, but one key military commander who was originally listed on Mugabe's delegation to Geneva has stayed behind in Mozambique.//

25X1 [REDACTED]

25X1 [REDACTED] //The Rhodesians are concerned because some of the guerrilla groups are penetrating deep inside the country.

25X1 [REDACTED]

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25X1 [] //Kaunda may have agreed to permit some ZANU forces to operate from Zambia as a result of the alliance between Mugabe and Nkomo at Geneva, but the Zambians probably would want to keep a close watch on ZANU's activities. Nkomo, meanwhile, is reported to be trying to recruit and expand his guerrilla forces, presumably to be in a better position relative to ZANU in a black-ruled Rhodesia.//

25X1 [] //Any increase in the insurgency from Zambia would, of course, place further severe strains on the already hard pressed Rhodesian security forces.//

25X1 [] //The white Rhodesians apparently still expect to receive additional South African aid if the talks break down and the fighting expands. Smith himself raised this possibility on October 16 in a Salisbury television interview, in which he implied that the South Africans would come to his aid if the Geneva conference failed.//

25X1 USSR: Defense Spending

25X1 [] Soviet Finance Minister Garbuzov announced yesterday that the USSR plans to spend 17.2 billion rubles on defense in 1977. We believe actual defense spending will be much higher.

25X1 [] The figure announced yesterday is some 200 million rubles less than last year's announced defense budget. The single figure labeled "defense" in the annual state budget, however, is virtually useless as an indicator of the true size or trends in Soviet defense spending because it has never been defined and it appears to be manipulated for political purposes. Also, it is far too low to cover the cost of procuring, operating, and maintaining a military force as large as that of the USSR.

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[] CIA estimates that total Soviet defense spending in 1970 prices for the year 1975 was 50 to 55 billion rubles--about three times the announced figure for that year--and that defense spending has, in real terms, been going up by 4 to 5 percent a year since 1971. []

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CUBA: Anti-US Propaganda

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[] //The Castro regime is preparing a major propaganda event featuring radio and television interviews with several alleged CIA agents living in Cuba. []

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[] //The Cubans have invited selected foreign journalists to cover the interviews. The programs reportedly were to have started on October 27, but Havana may have delayed in order to avoid giving the impression of interfering in US politics.//

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[] Havana appears to have several purposes in staging the interviews:

--To put pressure on the US to crack down on exile terrorists.

--To feed fears of US-sponsored "destabilization" among such Caribbean leaders as Jamaica's Manley and Guyana's Burnham.

--To awaken officials of the region to the dangers of failing to monitor the activities of Cuban exiles in their countries.

--To respond to public outrage in Cuba over the bombing of a Cuban airliner on October 6.

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[] //Cuban officials have grown increasingly concerned over the sharp upswing in the activities of anti-Castro exile terrorists this year. Officials in Havana apparently believe that militant exiles interpreted post-Angola statements

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on Cuba by high US officials as a green light to carry out raids, bombings, and other terrorist acts without fear of US interference. The loss of 73 lives in the air crash was probably the final straw that caused the Castro regime to adopt a more aggressive stance in the hope of provoking a US crackdown on exiles.//

25X1 [] //Castro's speech last week at a memorial service for those killed in the crash indicated that Havana is concerned enough about terrorism to be willing to discuss the problem with the US. The Cuban ambassador in Jamaica, in a conversation with the US charge last weekend, appeared to confirm this interpretation.//

25X1 [] Castro indicated in his speech that an alleged CIA agent was actually working for Cuban intelligence. He apparently is to be a featured participant in the coming interviews.

25X1 [] Others involved in the interviews probably include Carlos Rivero Collado, an alleged double agent surfaced by Havana in November 1974, and Manuel de Armas, another alleged CIA agent whom the Cubans brought forward last April in an attempt to link the US to exile terrorism and to a plot to alienate Venezuela from Cuba. Both have already appeared on Cuban radio and television in "exposes," but neither has received much attention in the world press. []

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MEXICO: Peso Depreciates

25X1 [] Mexico has allowed the peso to depreciate to 25.8 per US dollar from its previous support level of 19.7. The move was announced as a refloat of the peso but, in fact, the Central Bank is supporting it at this rate.

25X1 [] //The decision appears to be aimed at stemming capital flight, which reportedly has averaged \$100 million weekly since the peso was first floated on September 1. The movement of capital out of the country has resulted from rumors in mid-September that the government intended to freeze bank accounts and from a continuing decline of public confidence in the economic policies of the Echeverria administration.//

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[] The Bank of Mexico apparently sees the current exchange rate as temporary. It probably hopes to revalue the peso moderately after the November 2 bank holiday.

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[] We believe that the present rate is lower than justified by relative US-Mexican price movements since 1957, when the exchange rate was in equilibrium. These movements imply an exchange rate in August 1976 of between 17.5 and 19.7 pesos per dollar. Even allowing for the large price rises since September 1, the peso is now substantially undervalued.

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[] //Lopez Portillo probably will give top priority to restoring financial stability and private sector confidence when he takes office December 1.

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PHILIPPINES: Marcos Cracking Down

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[] President Marcos is using the heavily favorable vote in the national referendum two weeks ago as a mandate to crack down on bureaucratic abuses and weed out officials of questionable loyalty. He has announced that "quite a number" of local officials will be removed from office soon.

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[] Marcos says he is prompted to move by complaints from the public that officials and police are "treating our laws casually again." Over 2,000 officials have been investigated by a three-man cabinet committee, according to the government-controlled press. Marcos may also take the opportunity to retire a few aging cabinet members.

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[] The exercise enables Marcos to offer up scapegoats for complaints in the Philippine media about police and military indiscipline, bureaucratic ineffectiveness, and increased lawlessness. A dramatic purge on the order of the one a year ago is unlikely, however. That effort created a backlash of resentment strong enough to lead to the eventual dismissal of its prime architect, Marcos' executive secretary.

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[] The final tally of referendum votes, released two days ago, shows about 90 percent of the voters in favor of continued martial law and gives the President the mandate he asked for to create a national legislature that he can totally dominate and control. Pro-Marcos zealots invalidated negative ballots at a few polling centers, but in general the vote appears to reflect fairly accurately the preference of most Filipinos for martial law over the old oligarchy-dominated political system. []

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